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SUBJECT: Serbia: Karic/PSS Fading Fast -- Turn to Nationalists

¶1. (U) Summary: Force of Serbia Movement (PSS) President Bogoljub Karic has returned to his ultra-nationalist roots in order to save his business empire, as Prime Minister Kostunica remains steadfast against allowing him to return to Serbia without being prosecuted. He is gambling that a Socialist-Radical government will come to power later this year and will reward him for his new found piety. Although he still retains a large personal fortune, his clout will continue to decline as long as he remains in exile. End Summary.

¶2. (U) Zvonko Popovic, former member of the PSS Presidency, told poloff that Karic has decided to reject cooperation with democratic parties in favor of allying with nationalist forces in Serbia [Embassy Comment: This change of tone was evident at the PSS rally this week following the Milosevic funeral. End Comment]. According to Popovic, Kostunica has sent Karic messages, through RTS Chief Aleksander Tijanic and others, that he would be arrested upon returning to Serbia and that the ruling Democratic Party of Serbia would not enter into any coalition that included the PSS.

¶3. (U) PSS poll numbers are in free fall, having dropped by half (from 12-6 percent) since the beginning of the year. With his democratic alternatives blocked off by the GOS, Karic has decided to throw his support to non-democratic parties in hopes that they will help him find a way to return to Serbia. Popovic said that Karic concluded that the switch was his only option for rescuing his business empire, his family's fortunes, and his political position. Popovic said that Karic has been in Moscow and has been meeting with Mira Markovic, the widow of Slobodan Milosevic. Partly as a result of these discussions, Karic has decided to ally the PSS with the Socialist Party of Serbia (SPS). Karic, a well-known financier of the SPS in the past, financially supported the Milosevic funeral on March 18 while his BK TV had exclusive broadcasting rights for both the commemoration in Belgrade and the Funeral in Pozarevac. Popovic added that Karic could not reach out to the Serbian Radical Party (SRS) right now, because of the ongoing struggle between the two parties, but intends to slowly improve relations with the SRS. According to Popovic, Karic has forced out the remaining reformists in his party's hierarchy and replaced them with his family members.

¶4. (U) Comment: Unable to successfully court the West and legitimate democratic parties, Karic, as predicted, has changed his image and allies to suit his needs. His populism will now have a strident nationalist tone and his party will be a decidedly family affair. While his TV station continues to operate, we understand that it is losing staff and may lose its broadcasting license during the current tender process. His large cash reserves outside of Serbia could conceivably allow him to buy his

way into the bankrupt SPS and use it for his own political designs but it may be hard to pull this off from Moscow.

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